

Message Text

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ACTION EA-14

INFO OCT-01 IO-14 ISO-00 AID-20 CIAE-00 COME-00 EB-11

FRB-03 INR-11 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

SP-03 CIEP-03 LAB-06 SIL-01 OMB-01 STR-08 PA-04 PRS-01

USIA-15 NIC-01 L-03 H-03 TAR-02 EUR-25 SS-20 NSC-07

DRC-01 (ISO) W

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R 260725Z AUG 74

FM AMEMBASSY CANBERRA

TO SECSTATE WASHDC 3963

INFO AMEMBASSY TOKYO

AMEMBASSY WELLINGTON

AMCONSUL MELBOURNE

AMCONSUL SYDNEY

AMCONSUL BRISBANE BY POUCH

AMCONSUL PERTH BY POUCH

AMCONSUL PORT MORESBY BY POUCH

USMISSION GENEVA

LIMITED OFFICIAL USE CANBERRA 5593

E.O. 11652: N/A

TAGS: ECON, ELAB, AS

SUBJECT: AUTO WORKERS SEEK PROTECTION AGAINST FOREIGN IMPORTS

REF: CANBERRA 5255

1. BEGIN SUMMARY: PRINCIPAL UNIONS SERVING AUTO INDUSTRY ANNOUNCED
AUG 25 THEY WILL ASK GOA TO IMPOSE QUOTAS ON IMPORTED VEHICLES TO
PREVENT WIDESPREAD UNEMPLOYMENT AMONG MEMBERSHIP. END SUMMARY.

2. NOT NORMALLY ALLIED, RIGHT WING VEHICLE BUILDERS AND FAR LEFT
AMALGAMATED METAL WORKERS WILL SEND NATIONAL OFFICERS TO CANBERRA
THIS WEEK FOR URGENT CONSULTATION WITH DEPUTY PRIMIN CAIRNS, AND
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WITH MINISTER ENDERBY OF MANUFACTURING INDUSTRIES. UNION

LEADERS WILL INCLUDE LAURIE CARMICHAEL, WHO IS ALSO NATIONAL OFFICER OF COMMUNIST PARTY OF AUSTRALIA (CPA).

3. IMMEDIATE CAUSE OF CONCERN WAS PROSPECTIVE REDUCTION IN SALES TO NEW ZEALAND, DUE TO RECENT CHANGES IN SALES TAX RATES. NEW ZEALAND SALES TAX, PREVIOUSLY 40 PERCENT FOR ALL PASSENGER VEHICLES, WAS MODIFIED TO PROVIDE RANGE FROM 30 PERCENT FOR SMALLEST ENGINE SIZES TO 60 PERCENT FOR LARGEST. MOST AUSTRALIAN EXPORTS ARE LARGE VEHICLES WHICH WILL BE DISADVANTAGED BY 60 PERCENT RATE, WHILE MOST OF JAPANESE COMPETITORS WILL BE IN 30 PERCENT BRACKET. NEW ZEALAND-AUSTRALIA FREE TRADE AGREEMENT (NAFTA) DOES NOT COVER VEHICLE TRADE IN THIS INSTANCE.

4. VEHICLE BUILDERS' NATIONAL SECRETARY, BILL WILSON, TOLD LABATT AUG 23 THAT LOWERED AUSTRALIAN TARIFFS ALSO THREATEN HIS UNION. JAPANESE WILL BE BOUND TO CLOSE AUSTRALIAN FACTORIES, BUILT TO COMPETE BEHIND HIGH TARIFF WALL, IN FAVOR OF THEIR HOME BASED PLANTS, IF IMPORT TARIFF IS DROPPED TO 25 PERCENT FROM PRESENT 35. HE WAS REFERRING IN THIS COMMENT TO THE RECENT RECOMMENDATIONS OF THE INDUSTRIES ADVISORY COMMISSION, WHICH INVOLVE THE ABOLITION OF AUSTRALIA'S PRESENT "CONTENT" PLANS AND AN EVENTUAL LOWERING OF THE IMPORT TARIFF RATE TO 25 PERCENT (SEE REFTEL).

5. CORPORATION OFFICERS AT BOTH GENERAL MOTORS AND FORD TOLD LABATT AUG 21, AMERICAN COMPANIES BADLY CAUGHT OUT BY NEW ZEALAND MOVE, BUT COULD RETRENCH AUSTRALIAN OPERATION IF THEY COULD IMPORT COMPLETE CARS AND KITS FROM OTHER COUNTRIES. AUTO OFFICIALS REPORTED ALSO THAT JAPANESE UNLOADED 3,500 VEHICLES AT MELBOURNE PORT ON AUG 19. THEY HAVE BEEN ADVISED THAT MANY CARS DESTINED FOR JAPANESE DOMESTIC MARKET, AND FOR WEST EUROPE AND USA, HAD BEEN DIVERTED TO AUSTRALIA AND TO NEW ZEALAND WHEN ORIGINAL MARKETS "DRIED UP." GMH DIRECTOR, CONFIRMED LATER BY FORD OFFICER, TOLD LABATT THERE ARE 50,000 UNITS "ON FOUR WHEELS," WAITING AT JAPAN PORTS FOR SHIPMENT HERE.

6. COMMENT: THIS PROBABLY GOOD STARTING POINT, FROM UNION POINT OF VIEW, FOR UNIFIED WORKER ASSAULT ON GOA ECONOMIC POLICY. COOPERATION OF UNIONS OUTSIDE AUTO INDUSTRY WAS FORESHADOWED AUG 4, WHEN WATERFRONT WORKERS DELEGATION TOLD VICTORIA ALP LIMITED OFFICIAL USE

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CONFERENCE THEY WOULD REFUSE TO UNLOAD IMPORTS WHICH WOULD BE USED TO THROW AUSTRALIANS OUT OF WORK. ALREADY AUTO UNIONS HAVE CALLED ON WATERFRONT WORKERS FOR HELP AND THEY HAVE GOT ASSURANCE, AT LEAST FROM MILITANT MELBOURNE WHARFIES WHO HAVE FREQUENTLY STRUCK FOR LESS REASON. THE RECENT NEW ZEALAND ACTION, WHICH WE UNDERSTAND WAS EXPRESSLY DESIGNED TO ENCOURAGE A SHIFT TO SMALLER VEHICLES, WILL UNDOUBTEDLY HAVE ADVERSE EFFECT ON AUSTRALIAN AUTOMOBILE EXPORTS. NEW ZEALAND IS AUSTRALIA'S MOST

IMPORTANT VEHICLE EXPORT MARKET, AMOUNTING TO ALMOST \$A80 MILLION IN ANNUAL SALES. THE NEW ZEALAND ACTION COMES ON TOP OF THE TERMINATION OF THE AUSTRALIAN EXPORT INCENTIVE PLAN, OF WHICH THE AUTOMOBILE INDUSTRY HAD BEEN THE LARGEST SINGLE BENEFICIARY. THE COMBINATION OF THESE TWO MOVES, PLUS SHARPLY INCREASING LABOR COSTS, HAS UNQUESTIONABLY DAMAGED THE AUSTRALIAN VEHICLE INDUSTRY'S EXPORT COMPETITIVENESS.

7. ON THE OTHER HAND, THE INDUSTRIES ASSISTANCE COMMISSION REPORT IS A LONG-RANGE PROPOSAL WHICH IS UNLIKELY TO HAVE ANY SHORT-RUN IMPACT ON THE INDUSTRY. NO DECISIONS HAVE BEEN TAKEN BY GOA CONCERNING THE ADOPTION AND IMPLEMENTATION OF THE RECOMMENDATIONS AND THEIR ADOPTION IN NEAR FUTURE APPEARS UNLIKELY GIVEN THE CURRENT AUSTRALIAN ECONOMIC SITUATION. EVEN IF THEY ARE IMPLEMENTED, HOWEVER, THEIR SHORT-RUN EFFECT WOULD BE TO INCREASE SLIGHTLY THE AUSTRALIAN LEVEL OF PROTECTION AGAINST IMPORTS, WHILE FREEING AUSTRALIAN MANUFACTURERS FROM THE PRESENT CONTENT REQUIREMENTS AND MAKING IT POSSIBLE TO USE SOME LOWER-COST IMPORTED COMPONENTS. OTHER THINGS BEING EQUAL, THIS WOULD TEND TO IMPROVE THE INDUSTRY'S EXPORT COMPETITIVENESS, BUT THIS OFFERS UNIONS LITTLE SOLACE SINCE IT WOULD ALSO ENTAIL A REDUCTION IN DOMESTIC VALUE ADDED AND, PRESUMABLY, IN EMPLOYMENT. GOVERNMENT WILL RESIST ANY INCREASE IN PROTECTION FOR THE AUTOMOTIVE INDUSTRY IN PERIOD OF ACCELERATING INFLATION BUT GOA WILL BE UNDER SUSTAINED PRESSURE FROM UNIONS.

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